



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE
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CALIFORNIA TREASURER PHIL ANGELIDES APPLAUDS CALPERS' UNANIMOUS DECISION TO OPPOSE PACIFICARE – UNITEDHEALTH MERGER UNLESS EXECUTIVE PAYOUTS ARE APPROVED BY SHAREHOLDERS

SACRAMENTO, CA – At California State Treasurer Phil Angelides' urging, the California Public Employees' Retirement System (CalPERS) board voted unanimously to oppose the merger of PacifiCare Health Systems and UnitedHealth Group unless PacifiCare's executive compensation plan – which would result in \$345 million in accelerated options and bonus payouts to PacifiCare's top 39 HMO executives if the merger is finalized – is brought back to shareholders for approval.

“CalPERS did the right thing today by pledging to vote its shares against this merger unless PacifiCare receives shareholder approval for executive compensation policies that would reward the HMO executives who engineered this plan with millions. The Board's decision sends a clear and strong message that shareholders, pensioners and health care consumers refuse to foot the bill for excessive executive payouts that are not in the public interest.

“We have just learned that PacifiCare executives began exploring a merger with UnitedHealth as early as December 2004 – before they proposed the compensation plan that will shower PacifiCare's HMO executives with benefits if the merger is approved. This critical fact was not disclosed to shareholders when the compensation plans were submitted for approval. These actions should be of grave concern to investors. We have also learned that PacifiCare's board of directors – who are charged with looking out for the interests of shareholders – will receive significant bonuses and accelerated options if this merger is approved, presenting a clear conflict of interest.

“The enormous sums PacifiCare executives stand to receive simply because of the proposed merger with UnitedHealth are clearly excessive, and are an example of the kind of misguided get-rich-quick mentality that pervades HMO boardrooms, while providing no benefit to shareholders and patients.

The CalPERS board also unanimously decided today to explore all appropriate legal actions with regard to PacifiCare's executive compensation policies, and to urge the California Attorney General to look into any unlawful activity related to the executive compensation plan.



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In September, Treasurer Angelides urged CalPERS and the California State Teachers' Retirement System (CalSTRS), on whose governing boards he sits as a member, to use their clout as PacifiCare and UnitedHealth shareholders to urge the companies to withdraw plans for excessive payouts to HMO executives before the merger is presented to shareholders later this year. CalPERS and CalSTRS combined hold nearly \$600 million in PacifiCare and UnitedHealth stock.

To go forward, the merger must still be approved by Governor Schwarzenegger's Department of Managed Health Care. Treasurer Angelides has also called on the Department to do its duty to protect California health care consumers from excessive costs and not allow the merger unless the exorbitant payouts are relinquished.

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